

## **EXHIBIT C**

MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS  
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION No. 07-156

WHEREAS, The City entered into a Transit Shelter Advertising Agreement in 1987, which is due to expire in December 2007; and

WHEREAS, Transit shelter advertising and maintenance services have been contracted out since their inception in 1987; and

WHEREAS, On September 4, 2007, the Board of Directors adopted Resolution No. 07-149, which authorized the San Francisco Municipal Transportation Agency (SFMTA) to enter into a new Transit Shelter Advertising Agreement with Clear Channel Outdoor, Inc. ("Clear Channel"), commencing on December 10, 2007; and

WHEREAS, The Controller's Office has determined that such services can be practically performed under private contract at an estimated total net benefit to the City compared to similar work performed by City employees; and

WHEREAS, Section 10.104(15) of the San Francisco Charter allows the SFMTA to contract for services when the Controller has determined that such services can be practically performed under private contract at a lesser cost than similar work performed by City employees and the Board of Supervisors annually approves contracting out for such services; now, therefore, be it

RESOLVED, That the Municipal Transportation Agency Board of Directors recommends that the Board of Supervisors concur with the Controller's determination that it is more economical for the SFMTA to contract for transit shelter advertising and maintenance services than to provide the same service with City employees for Fiscal Year 2007-08.

I certify that the foregoing resolution was adopted by the Municipal Transportation Agency Board of Directors at its meeting of OCT 02 2007.

  
Secretary, Municipal Transportation Agency Board



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ed Harrington**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

September 14, 2007

Nathaniel P. Ford, Executive Director  
 Municipal Transportation Agency  
 One South Van Ness Avenue, 7<sup>th</sup> Floor  
 San Francisco, CA 94103

Attention: Sonali Bose, Chief Financial Officer

RE: Cost and Benefit Analysis for Transit Shelter Maintenance & Advertising Services –  
 FY 2007-08

**Summary**

The attached analysis for the Transit Shelter Maintenance and Advertising services reflects the costs and estimated revenues if transit shelter maintenance and advertising services were performed by City employees compared to if the City contracted these services to a third party. Most of the information was provided by the Municipal Transportation Agency (MTA), with input from the Department of Public Works.

Based on the information provided as of September 11, 2007 and assuming no other changes, we estimate an annual net operating cost of \$0.79 million to a net operating benefit of \$0.10 million per year if the City provided the maintenance and advertising through civil service employees and assuming revenues and salaries and fringe remain level. This is compared to minimum net revenues of \$8.47 million in the first year of the contract that the City would receive from the contractor based on the Request for Proposals, and maximum net revenues of \$12.87 million the City would receive from the contractor based on the draft agreement between the SFMTA and Clear Channel. Therefore, the estimated total net benefit of contracting out these services ranges from \$8.37 million to \$13.66 million.

<b>Estimated Benefit/(Cost) of Contracting Out Transit Shelter Maintenance and Advertising</b>		
<b>Estimate for First Year of Contract</b>	<b>Low Estimate</b>	<b>High Estimate</b>
Operating Surplus/(Shortfall) if City Provided Services	\$98,712	\$(790,176)
Revenue to City if Services Contracted Out	<u>\$8,465,000</u>	<u>\$12,874,000</u>
Total Net Benefit/(Cost) of Contracting Out	\$8,366,288	\$13,664,176

**Analysis**

**Personnel Costs:** The personnel cost information that was provided by your office includes the personnel necessary to manage, design, build, maintain, and repair transit shelters and kiosks, maintain a new GIS system, respond to complaints, and monitor the advertising contract to generate revenues. The total estimated salary and fringe benefit costs range from \$5.21 million to \$6.11 million per year.

**Other Operating Costs:** The operating cost information includes savings from forgone contract monitoring costs that would otherwise be incurred if the service was contracted out, as well as annual non-personnel costs and one-time capital costs. The annualized one-time capital costs to purchase and replace the transit shelters and kiosks and other capital items reflect the first year's cost of a depreciation schedule based on their useful life and includes debt service costs. The total estimated other operating costs range from \$6.99 million to \$7.00 million in the first year of the contract.

**Revenue:** The projected revenues include the estimated gross revenues for advertising based on an analysis from the CCSF Office of the Legislative Analyst report dated September 18, 2006. The projected revenues also include an estimated 30 percent cost to hire an advertising firm and the loss of annual payments currently being paid by the contractor to the City for the right to advertise in a public right of way. The total projected revenues are \$12.31 million per year.

**Net Operating Benefit:** The estimated net operating cost (revenues less personnel and operating costs) ranges from of \$0.79 million to a net operating benefit of \$0.10 million per year if the City performed the services. This is compared to minimum net revenues of \$8.47 million in the first year of the contract that the City would receive from the contractor based on the Request for Proposals, and maximum net revenues of \$12.87 million the City would receive from the contractor based on the draft agreement between the SFMTA and Clear Channel. The estimated operating benefit to contract these services out to a third party ranges from \$8.37 million to \$13.66 million in the first year.

#### **Findings and Next Steps**

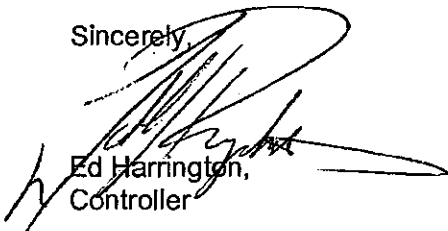
The requirements of Charter Section 10.104.15 relative to the Controller's findings that "work or services can be practically performed under private contract at a lesser cost than similar work performed by employees of the City and County of San Francisco" have been satisfied. Attached is a statement of projected cost and estimated savings for Fiscal Year 2007-08 and the informational items provided by the department pursuant to San Francisco Administrative Code Section 2.15.

If it is the Department's intention to enter into a multiple year contract, you should note that this Charter section requires annual determination by the Controller and resolution by the Board of Supervisors.

To complete the Charter requirements, it will be necessary for your department to secure approval of a resolution by the Board of Supervisors before entering into the private contractual arrangement.

Please contact Tom DiSanto at 415-554-7554 if you have any questions regarding this cost analysis.

Sincerely,



Ed Harrington,  
Controller

Enclosures

MUNICIPAL TRANSPORTATION AGENCY  
 TRANSIT SHELTER MAINTENANCE & ADVERTISING SERVICES (1)  
 ATTACHMENT A - COST ANALYSIS  
 FISCAL YEAR 2007-08

ESTIMATED CITY COSTS:

PROJECTED SALARY COSTS (2)	Class	Positions	BW Rate		Low	High
<u>Management</u>						
Principal Administrative Analyst	1824	0.60	3,320	4,036	51,996	63,210
Transit Planner IV	5290	0.50	3,537	4,299	46,162	56,108
Project Manager III	5506	0.20	6,007	6,469	31,354	33,766
<u>Advertising</u>						
Principal Administrative Analyst	1824	-	3,320	4,036	0	0
Manager V	0933	1.00	4,172	5,325	108,899	138,984
Senior Accountant	1652	1.00	2,326	2,827	60,709	73,785
<u>Shelter Designs</u>						
Senior Architect	5270	-	0	0	0	0
<u>GIS Database Maintenance</u>						
IS Engineer-Senior	1043	1.00	3,679	4,626	96,022	120,739
IS Business Analyst-Senior	1053	1.00	3,100	3,899	80,910	101,764
<u>24 Hour Complaint Coverage</u>						
Senior Customer Service Agent	1324	3.00	1,990	2,418	155,817	189,329
<u>Build, Maintenance, &amp; Repair</u>						
Senior Customer Service Agent	1324	1.00	1,960	2,382	51,160	62,174
Buildings & Ground Maint Sprmntdnt	7120	1.00	3,999	3,999	104,366	104,366
Buildings & Ground Maint Sprvsr	7203	3.00	3,418	3,418	267,629	267,629
Cement Finisher Sprvsr II	7211	0.25	2,910	3,537	18,985	23,076
Cement Finisher Sprvsr I	7227	1.00	2,745	3,336	71,640	87,059
Glazier Supervisor I	7233	1.00	3,005	3,653	78,438	95,353
Electrician Supervisor I	7238	1.00	3,093	3,760	80,735	98,146
Painter Supervisor I	7242	1.00	2,545	3,263	66,431	85,173
Sheet Metal Worker Sprvsr II	7247	0.25	3,460	4,206	22,579	27,447
Electrician Supervisor II	7276	0.25	3,446	4,188	22,487	27,329
Painter Supervisor II	7278	0.25	2,819	3,426	18,396	22,357
Cement Mason	7311	4.00	2,156	2,621	225,109	273,660
Glazier	7326	4.00	2,459	2,989	256,745	312,083
Electrician	7345	2.00	2,737	3,327	142,886	173,687
Painter	7346	3.00	2,242	2,726	175,566	213,467
Sheet Metal Worker	7376	3.00	2,847	3,460	222,942	270,945
General Laborer	7514	30.00	1,781	2,166	1,394,784	1,696,082
Sheet Metal Supervisor I	9345	1.00	3,189	3,873	83,241	101,095
Total Salary Costs		65.30			3,935,991	4,718,812
<u>FRINGE BENEFITS</u>						
Variable Fringes (3)					579,160	694,624
Fixed Fringes (4)					698,549	698,549
Total Fringe Benefits					1,277,708	1,393,173
Total Personnel Costs (Salary + Fringe Benefits)					5,213,699	6,111,985
<u>OTHER OPERATING COSTS</u>						
Less Forgone contract monitoring costs (5)					(105,445)	(114,843)
Annual Operating Costs					1,828,005	1,828,005
Annualized costs of Capital (6)					5,275,999	5,275,999
Total Other Operating Costs					6,998,559	6,989,161
<u>ESTIMATED TOTAL CITY COST</u>						
					12,212,258	13,101,146

**ESTIMATED REVENUES**

Estimated Advertising Gross Revenues (7)	18,400,000	18,400,000
Fee to Advertising Firm (30% of revenues)	(5,550,750)	(5,550,750)
Loss of Payments from Contractor for right to advertise in public right of way	(538,280)	(538,280)
Total Revenues	12,310,970	12,310,970

**ESTIMATED NET OPERATING BENEFIT/(COST) IF CITY PROVIDED SERVICES**

98,712	(790,176)
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**LESS: ESTIMATED REVENUES FROM CONTRACTING OUT (8)**

8,465,000	12,874,000
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**ESTIMATED TOTAL NET BENEFIT /(COST) FROM CONTRACTING OUT**

8,366,288	13,664,176
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Comments/Assumptions:

1. Transit Shelter Maintenance and Advertising Services have been contracted out since 1987.
2. CCSF salary and benefit costs are presented using FY 2007-08 salary and benefit levels.
3. Variable fringe benefits consist of Social Security, Medicare, employer retirement, employee retirement pick-up and long-term disability, where applicable.
4. Fixed fringe benefits consist of health and dental rates plus an estimate of dependent coverage.
5. The City assumes 0.8 FTEs were used to monitor the existing contract.
6. Reflects 1st year cost of one-time costs amortized over various periods depending on useful life.
7. Estimate based on analysis from CCSF Office of Legislative Analyst report dated Sept. 18, 2006.
8. Low estimate reflects 1st year of required revenues under RFP and includes \$4.0 million one-time payment, \$3.5 million Minimum Annual Guaranteed payment, \$500,000 in administrative fees, and \$200,000 in marketing support to the MTA, and \$265,000 to the Arts Commission. High estimate reflects 1st year of required revenue under draft agreement with Clear Channel and includes \$5.0 million one-time payment, \$6.9 million Minimum Annual Guaranteed payment, \$500,000 in administrative fees, and \$200,000 in marketing support to MTA, and \$265,000 to the Arts Commission.

MUNICIPAL TRANSPORTATION AGENCY  
 TRANSIT SHELTER MAINTENANCE & ADVERTISING SERVICES  
 ATTACHMENT B - REVENUE ANALYSIS  
 FISCAL YEAR 2007-08

**ESTIMATED REVENUES IF SERVICES CONTRACTED OUT**

	Low (From RFP)	High (From Draft Agreement with Clear Channel)		
Required Payments				
One-time up front payment	\$ 4,000,000	\$ 5,000,000	A	
Annual payments				
MTA Admin Cost	500,000	500,000		
ART Commission	265,000	265,000		
MTA Marketing Support	200,000	200,000		
	<u>\$ 965,000</u>	<u>\$ 965,000</u>	B	
Minimum Annual Guarantee (MAG)	RFP MAG	MAG if Annual Gross Revenue Not Reached	Annual % Increase	
FY 2008	3,500,000	6,909,000		C
FY 2009	3,675,000	7,614,000	10.20%	
FY 2010	3,858,750	8,232,000	8.12%	
FY 2011	4,051,688	8,644,000	5.00%	
FY 2012	4,254,272	9,076,000	5.00%	
FY 2013	6,500,000	11,812,000	30.15%	
FY 2014	6,825,000	12,339,000	4.46%	
FY 2015	7,166,250	12,893,000	4.49%	
FY 2016	7,524,562	13,474,000	4.51%	
FY 2017	7,900,791	14,084,000	4.53%	
FY 2018	10,000,000	15,557,000	10.46%	
FY 2019	10,500,000	16,293,000	4.73%	
FY 2020	11,025,000	17,044,000	4.61%	
FY 2021	11,576,250	17,834,000	4.64%	
FY 2022	12,155,063	18,661,000	4.64%	
FY 2023	15,000,000	21,082,000	12.97%	
FY 2024	15,750,000	22,073,000	4.70%	
FY 2025	16,537,500	23,114,000	4.72%	
FY 2026	17,364,375	24,207,000	4.73%	
FY 2027	18,232,594	25,353,000	4.73%	
	<u>193,397,095</u>	<u>306,295,000</u>		
Total FY 2007-08 Revenue	<u>\$ 8,465,000</u>	<u>\$ 12,874,000</u>		D = A + B + C
Total FY 2008-09 Revenue	4,640,000	8,579,000		
Total FY 2026-27 Revenue	\$ 19,197,594	\$ 26,318,000		